

June 15, 2007

2007 Legislative Amendments to the Indiana Code relating to Rental Purchase Agreements-Questions, Answers, and Administrative Interpretations
Effective July 1, 2007

1. How have the prohibitions against using rental purchase agreements for motor vehicles changed?

Answer – The law has been expanded to prohibit rental purchase agreements for motor vehicles and any other titled property. Therefore, rental purchase agreements may not be used on trailers, semi-trailers, mobile homes, recreational vehicles and recreational trailers. [IC 24-7-1-5]

2. How has the definition of rental purchase agreement changed?

Answer – The basic definition of a rental purchase agreement is still an agreement which provides for the use of personal property by an individual primarily for personal, family, or household purposes; has an initial period of four (4) months or less; is automatically renewable with each rental payment; and permits the lessee to become the owner of the property. **In addition, the definition includes an agreement or a transaction that the director determines to be a rental purchase agreement, despite efforts by a person to structure the transaction in a manner that the director determines is being used to avoid application of the rental purchase agreement law.** [IC 24-7-2-9]

3. What changes have been made to the provisions relating to late charges and delinquency fees?

Answer – For rental purchase agreements with monthly renewal dates, the late charge has been increased to a maximum of eight dollars (\$8) on any rental payment not made within five (5) days of the renewal date or return of the property as required under the rental purchase agreement. For rental purchase agreements with weekly or biweekly renewal dates, the late charge has been increased to three dollars (\$3) for any payment not greater than twenty dollars (\$20) and five dollars (\$5) for any payment greater than twenty dollars (\$20). The late charges for weekly or biweekly renewal dates may be assessed on any rental payments not made within two (2) days after the renewal date or the return of the property as required under the rental purchase agreement. [IC 24-7-2-9]

4. Can a lessor receive a fee for dishonored checks?

Answer – Yes, a lessor may charge a return item fee (i.e., an NSF charge) in the maximum amount of \$25 for each returned or dishonored item. [IC 24-7-5-5.5]